

# annual report 2010



Trafalgar & District  
Financial Services Limited  
ABN 86 102 573 222

Trafalgar & District **Community Bank**<sup>®</sup> Branch

# Contents

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<b>Chairman's report</b>	<b>2-8</b>
<b>Manager's report</b>	<b>9</b>
<b>Bendigo and Adelaide Bank Ltd report</b>	<b>10-11</b>
<b>Directors' report</b>	<b>12-15</b>
<b>Financial statements</b>	<b>16-19</b>
<b>Notes to the financial statements</b>	<b>20-27</b>
<b>Directors' declaration</b>	<b>28</b>
<b>Independent audit report</b>	<b>29</b>
<b>Auditor's independence declaration</b>	<b>30</b>

# Chairman's report

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For year ending 30 June 2010

This report outlines the progress of Trafalgar & District **Community Bank**<sup>®</sup> Branch during the 12 months to 30 June 2010. The highlights are: a continued focus on improving corporate governance by the Board; an increase in Company profit; an increase in sponsorship to local community groups; a significant increase in the allocation of money for grants for community groups; and a continuation of the high level of service provided by the **Community Bank**<sup>®</sup> branch staff.

## Profit

The profitability of the Company continues to grow, with \$252,343 profit before tax and market development (grants). The net profit for this reporting period of \$52,397. For the year, \$40,926 was paid as sponsorship to community groups and \$168,818 was paid, or allocated, to market development (grants).

The attached graph (Figure 1) shows the profit/loss of the **Community Bank**<sup>®</sup> branch since its establishment. The graph in the annual report for 2008 and 2009 showed a profit net of monies allocated for grants (Youth Foundations project (\$32,000 and \$37,000 respectively)), rather than adding these amounts to the profit before tax and market development as has occurred in this report. Consequently, the profit for those two years has been adjusted in Figure 1 for accurate comparison.

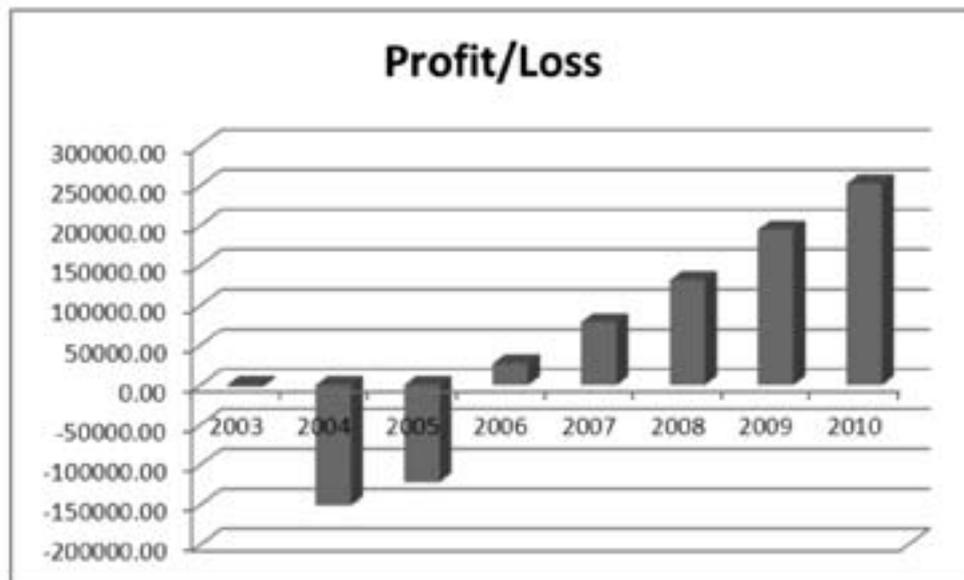


Figure 1 – Profit/Loss since Company's establishment

The Board has budgeted for a profit of \$137,000 in the 2010/2011 financial year. This amount does not include the allocation of grants which will be determined at the end of the 2010/2011 financial year, based on the known profit at that time.

# Chairman's report continued

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## Dividend

The Board of Directors is pleased to announce that it has declared a dividend of six cents per share fully franked. The dividend is payable to shareholders owning shares as at close of business on 2 September 2010.

## Company governance

The Board continued to develop its processes on Company governance. This has included identifying potential Directors with particular skills in accounting, executive management and human resource management. Most of the Directors attended a full day session conducted by the Australian Institute of Company Directors during the year.

Our main two governance committees, Audit & Risk and Governance & HR are reviewing their respective charters and developing procedures to implement those charters. This has taken longer than expected, however, they will be completed in the new financial year. Any amendments to these charters will impact on the over-arching Board charter.

Strategic planning continues to be an important role within the Board. We have reviewed the ongoing three year rolling strategic plan and developed new annual action plans. This process takes many months, however, the outcome provides clear direction to the Board for the upcoming 12 months and beyond.

## Finances

The Company continues to grow steadily, with its Balance Sheet increasing by \$9.35 million to \$75.73 million as at 30 June this year, from \$66.38 million at the start of the financial year. This represents an average annual growth of approximately \$958,600 per month since the **Community Bank**<sup>®</sup> branch opened in November 2003. The rise during the past year was marginally below the previous average (as at 30 June 2009) of \$1 million per month. This places pressure on the Board and staff to ensure that we continue to improve the branch's business growth.

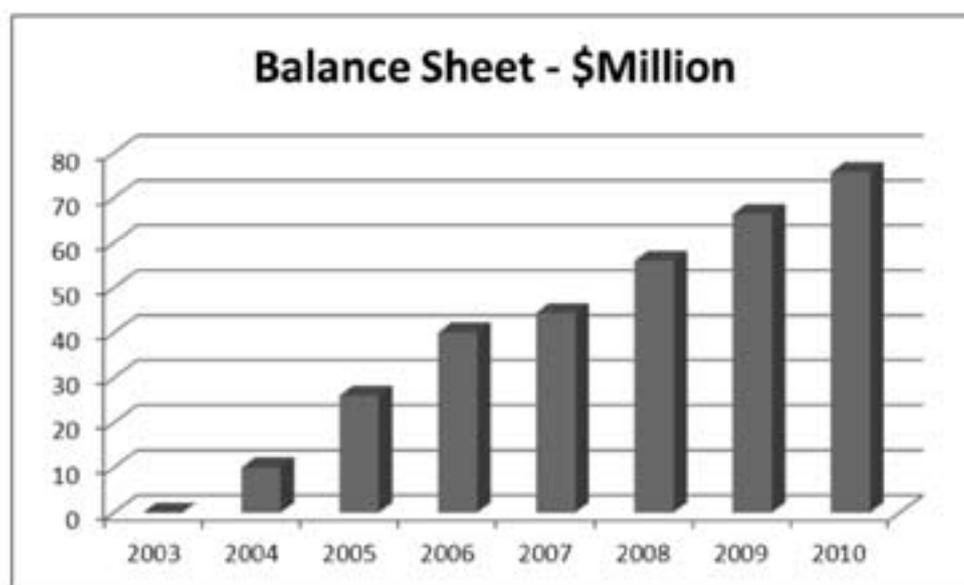


Figure 2 – Balance Sheet growth

# Chairman's report continued

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## Marketing

Since we commenced providing sponsorship in 2005/2006, community groups have received \$136,000. The Company has also contributed \$105,000 towards the Youth Foundations project. The Company also allocated \$132,000 in the financial year to be spent on community grants.

## Sponsorship

The **Community Bank**<sup>®</sup> branch contributed \$41,000 to local community groups during the past 12 months. The following table provides the sponsorship given to community groups during the past financial year.

Recipient	\$	
Gippsland Greenkeepers & Bowlers	150	0.4%
Hill End Community Inc	500	1.2%
Mid Gippsland Bowling Assoc	200	0.5%
Sportspacks for local primary schools	3400	8.3%
Thorpdale Bowling Club	810	2.0%
Thorpdale Football & Netball Club	600	1.5%
Trafalgar - Battle of Trafalgar Festival	3,000	7.3%
Trafalgar Bowling Club	2,000	4.9%
Trafalgar East Hall C'ttee	1,000	2.4%
Trafalgar Football & Netball Club	3,000	7.3%
Trafalgar Golf Club	300	0.7%
Trafalgar High School	600	1.5%
Trafalgar Lioness Club	200	0.5%
Trafalgar Men's Shed	4,500	11.0%
Trafalgar Youth Resource Centre	1,000	2.4%
Trafalgar Rotary Club	3,500	8.6%
Trafalgar Scout Group	3,000	7.3%
Trafalgar Victory Soccer Club	1,710	4.2%
West Gippsland Healthcare Group	2,306	5.6%
Willow Grove Junior Football Club	1,350	3.3%
Willow Grove Primary School	50	0.1%
Yarragon Bowling Club	250	0.6%
Yarragon Cricket Club	1,300	3.2%
Yarragon Lions Club	200	0.5%
Yarragon Tennis Club	6,000	14.7%
<b>Total</b>	<b>40,926</b>	<b>100%</b>

Table 1 – Sponsorship 2009/2010

# Chairman's report continued

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## **Grants**

\$36,000 was paid to the Youth Foundations project, which is the Company's first major initiative. This project has been extended by a further 12 months at no cost to the Company. The Company has now contributed a total of \$105,000 into this project.

During the year, the Board set aside \$132,000 for future grants. This money is deposited in Community Enterprise Foundation™ (CEF), a trustee Company established by Bendigo and Adelaide Bank Ltd to manage grants on behalf of **Community Bank**® Companies such as ours. We pay five per cent commission on that amount, however, the Board considers that money well spent for three reasons:

- CEF manages the grants process on behalf of the Company;
- Providing money to CEF means that the Company has flexibility as to when it can be allocated to community organisations as it does not have to be allocated in the year it is deposited; and
- It is tax effective.

Our grants programme will formally commence in October this year with advertisements in local community newspapers for groups and clubs to submit applications for grants.

## **Committee activities**

The Company retains its five governance committee and four operational committees. The latter are aligned to the Company's strategic plan.

The following actions have arisen from the Company's nine committees:

### **Corporate Governance committees**

#### Audit & Risk Committee

Glenn Fozard (lead), Peter Marx, Michelle Robertson, Sally Brown.

This committee is in the process of reviewing its charter and will commence implementing it in the new financial year.

#### Crisis Response Committee

Mick Bourke (lead), Peter Cooke, Peter Marx, Bryan Leaf.

This committee met on one occasion during the year to discuss the possible ramifications as the result of an armed robbery in Mirboo North. The committee determined that no specific action was required to occur, however, it did review its processes as a result of the incident.

#### Executive Committee

Mick Bourke (lead), Peter Cooke, Peter Marx, Michelle Robertson.

No activities were delegated to this committee during the year.

# Chairman's report continued

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## Governance & HR Committee

Peter Cooke (lead), Chris Badger, Mick Bourke and Gary Smith.

This committee reviewed its charter during the year and will commence implementing it in the new financial year

## Low Volume Market

Peter Marx (lead), Mick Bourke, Peter Cooke, Mel White.

This committee is responsible for supervising the process of selling and buying Company shares. This involves a new web-based process which is currently being implemented.

## **Operational committees**

### Best Practice Committee

Chris Badger (lead), Glenn Fozard, Mick Bourke

This committee finalised the development of the suite of Company policies. Over the past two years or so, 45 policies were adopted by the Board covering broad areas such as: Board governance; Board operational; human resource management; Board and staff values; financial management; financial control; shareholder relationships; communication; diversity; and privacy. These policies will be reviewed on a regular basis (every 12 or 24 months depending on the policy).

Some work commenced on Director education, however, further development of appropriate Director training will continue in the new year.

The committee is also responsible for the strategic planning programme. A new strategic plan was developed for 2010/2013, with particular emphasis on activities in 2010/2011.

### Community Committee

Sally Brown (lead), Mick Bourke, Michelle Robertson, Bryan Lead (adviser).

This committee finalised the grants policy and procedures. The grants programme will commence in 2010/2011.

This committee is also responsible for the ongoing advertising and sponsorship programmes during the year.

The committee endeavours to use local residents in its advertisements to highlight the strong link between the

**Community Bank**<sup>®</sup> branch and the community.

### Staff Committee

Gary Smith (lead), Bryan Leaf.

This committee is responsible for implementing staff-related initiatives identified as part of the strategic planning process.

Staff development, in addition to that provided by Bendigo and Adelaide Bank Ltd, is a high priority of the Board. Work commenced during the year on developing processes. With the Company now having a Director with human resource management expertise, the Board will work closely with the Branch Manager during 2010/2011 to further develop and implement staff performance initiatives.

# Chairman's report continued

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## Stakeholder Committee

Peter Cooke (lead), Mick Bourke.

The Board decided that no activities be undertaken by this committee, and that there would be a concerted effort in 2010/2011 to identify stakeholder (shareholders, customers and general community) needs. This will occur through a series of surveys.

## Profitability Committee

The Board did not allocate any activities to this committee due to a lack of resources. There will be a focus on this committee during the next 12 months.

## **Community Bank® branch staff**

The Company continues to be well-serviced by extremely dedicated staff. I thank Bryan, Lorraine, Sharon, Michelle, Tiffany and Kim for their commitment to the Company. Towards the end of the reporting period, Michelle took up an offer at the newly opened Lakeside Pakenham **Community Bank®** Branch. We congratulate Michelle on her new appointment, and thank her for all her work over the past few years. At the same time, we welcome Kim, who has settled in well.

The Board will review the future staffing requirements over the next few months to ensure we meet the needs of our customers as our business grows. As part of this review, we will develop a succession plan to ensure the smooth transition of staff as circumstances change.

## **Administration support to the Board**

The Board completed its review of the administrative support it needs as the demands on Directors increases. The workload of all Directors is increasing, particularly those of the executive. Consequently, the Board decided that it needed an administrative Officer with particular skills in administration and finance.

Melaine White was the successful applicant, and has settled in very well to become an extremely important part of the Company. Mel's role will continue to evolve as the Directors continue to concentrate on strategic and governance issues involving the Company.

The Company thanks Fiona Beckley, who was the Board's minute Secretary until that role was consumed into the administration Officer's position, for her assistance to the Board.

## **Directors**

Finally, I thank the Directors for their effort over the past year, which saw six new Directors come onto the Board. This represents more than half of the Board's number. In fact, as we had one vacant position, these new Directors represented two-thirds of the Board.

The role of a Director of the Company is an extremely rewarding one, whilst at the same time, one that requires a high level of accountability and due diligence. This is imposed upon us under the Corporations Act (Cth) 2001, and the prudential responsibilities of managing a bank franchise. Legal decisions of the superior courts also continue to place more responsibility on Directors to ensure that they are pro-active in the governance of their companies. Accordingly, it is essential that we have the right mix of Directors with professional (such as legal, financial, corporate governance), and community, experience.

## Chairman's report continued

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The Directors have diligently applied themselves to the Company whilst learning their roles. Many of them have put in an extraordinary amount of time during the year. Since the AGM last year, the Board co-opted three Directors; Prue Hall, Joanne Porter and Gary Smith. Joanne resigned during the year due to family, work and other community commitments. Prue also resigned after the reporting period, again due to family and work commitments. I thank them both for their effort whilst on the Board.

This year sees Peter Marx, Peter Cooke and me retiring in accordance with the Company's constitution. In addition, Gary, as a Director co-opted since last year's annual general meeting, also retires in accordance with our constitution. All are eligible to seek re-election.

The next 12 months promises another profitable year, and I'm confident that the new Board will fully meet its commitments.



**Mick Bourke**  
**Chairman**

# Manager's report

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For year ending 30 June 2010

I am very pleased to present my report for the year ending June 2010.

It has been another satisfying year which has seen the business continues to grow.

Both sides of the balance sheet have expanded during the year with overall growth of over \$7 million to total footings of \$75 million. The balance sheet remains well balanced.

Our products and services have continued to prove popular with account numbers increasing by 260 net, customer numbers have increased by 85 net and the number of products per customer are also showing strong growth.

Our staff is, of course, an integral part of the business and we have been able to maintain stability of the same during the review period. Lorraine Morland, Sharon Bowyer, Michelle Galea and Tiffany Jones continue to provide excellent service which has been reflected in the satisfaction ratings.

I am very appreciative of the efforts of the branch staff and extend my thanks to each of them.

I must also acknowledge the contribution of Mick Bourke and his Board. They put in many hours to ensure that the Branch functions correctly and their support of my staff and I has been unfailing. The Board is a key factor in the continued success of Trafalgar & District **Community Bank**<sup>®</sup> Branch.

I must again acknowledge the support of our customers.

Trafalgar, Thorpdale, Narracan, Willow Grove, Hill End and Yarragon communities have embraced the **Community Bank**<sup>®</sup> branch and their ongoing support of the branch enables its ongoing prosperity.

In closing I invite all those who have not yet joined the **Community Bank**<sup>®</sup> branch, to call in and meet the staff and experience the unique **Community Bank**<sup>®</sup> experience.



**Bryan Leaf**  
**Manager**

# Bendigo and Adelaide Bank Ltd report

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For year ending 30 June 2010

Now in its 13th year, the **Community Bank**<sup>®</sup> network continues to grow and make significant contributions to local communities right across Australia.

In the 2009/10 financial year 22 new **Community Bank**<sup>®</sup> branches were opened, taking the total number of branches to 259.

More than 545,000 customers chose to support the network with their banking business made up of more than 788,000 accounts, giving the networks a combined banking book of more than \$16.3 billion.

Our **Community Bank**<sup>®</sup> customers have been served by more than 1150 staff that are supported by almost 1700 volunteer Directors.

And these Directors are endorsed by around 63,000 shareholders who have received more than \$14.7 million in dividends, a reward for their belief in the **Community Bank**<sup>®</sup> concept.

All of this support has enabled the **Community Bank**<sup>®</sup> network to return more than \$40.3 million to assist local community groups and projects since the first **Community Bank**<sup>®</sup> branch opened in 1998.

These figures add up to a strong **Community Bank**<sup>®</sup> network, a franchise of the Bendigo and Adelaide Bank Ltd, which like its community partners, continues to flourish attracting more than 10,000 new customers every month.

This has been made possible through the restructure of the bank's executive team under the leadership of Managing Director, Mike Hirst.

At the start of 2010, the world's great economies continued to feel the aftershocks of the Global Financial Crisis. However, Australia's economy remained relatively stable during the turbulent times. While the impact of the GFC was felt by our community owned and operated branches, it is a testament to our business models and partners that our **Community Bank**<sup>®</sup> network continues to develop.

In fact, not only did our network continue to develop, in the past year we have witnessed one of our most successful launch programs to date. We saw a new branch emerge out of the ashes in Kinglake, less than a year after the region was devastated by Victoria's Black Saturday Bushfires.

The Pyrmont **Community Bank**<sup>®</sup> Branch saw us make an inroad into the competitive but lucrative Sydney banking market. And over the next 12 months Bendigo Bank will continue to grow its ATM and branch network in New South Wales, providing further support in boosting the profile of Bendigo's brand in the state.

This year we have also launched Community Snapshots on the Bendigo Bank website. This online initiative shares and highlights the great contributions and tangible outcomes the **Community Bank**<sup>®</sup> network generates for its local communities.

## Bendigo and Adelaide Bank Ltd report continued

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There has also been a focus on the continued roll out of our Good for Business, Good for Community program, which is an important element of our overall Community Strengthening for the coming year.

Thank you again for your continued commitment and support of the **Community Bank**<sup>®</sup> network.



**Russell Jenkins**

**Executive Customer and Community**

# Directors' report

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For the financial year ended 30 June 2010

The Directors present their report on the Company for the financial year ending 30 June 2010.

1. The Directors in office at any time during or since the end of the year are:

**Mr Michael Bourke**

Mr Bourke is 57 years of age. Appointed Director 29 November 2007 and appointed Chairman 6 November 2008. He works as a consultant and has a Diploma of Public Administration. Mr Bourke is involved in the crisis response, executive, governance and human resources, stakeholders, community and low volume market committees as well, in his capacity as chairman, as being an ex-officio member of all committees.

**Mr Peter Cooke**

Mr Cooke is 64 years of age. Appointed Director 29 November 2007 and deputy chairman 6 November 2008. He participates in the crisis response, executive, governance and human resources, and stakeholders committees. Mr Cooke is a retired secondary school teacher and has Bachelor of Arts, Bachelor of Education, TSTC, Grad Dip Computing qualifications.

**Mr Peter Marx**

Mr Marx is 63 years of age. Appointed Director 21 October 2002 and Company Secretary 2 February 2007. He works as a land surveyor and has qualifications of Licensed Land Surveyor, Diploma of Surveying, Diploma of Cartography, Member of the Institution of Surveyor Victoria and Member of the Association of Consulting Surveyors Victoria. Mr Marx is involved in the audit and risk, crisis response and executive committees.

**Ms Michelle Robertson**

Ms Robertson is 36 years of age. Appointed Director 2 July 2009 and Treasurer 3 December 2009. She is part of the audit and risk, executive and community committees. Ms Robertson is an administration manager with an Advanced Diploma of Business Accounting.

**Mr Christopher Badger**

Mr Badger is 53 years of age. Appointed Director 3 December 2009. Mr Badger is an executive general manager and has qualifications of Bachelor in Electrical/Mechanical Engineering and membership of Australian Institute of Company Directors. He is involved in the best practice, governance and human resources committees.

**Ms Sally Brown**

Ms Brown is 20 years of age. Appointed Director 3 December 2009. She is a part of the community, governance and human resources committees. Ms Brown is a university student.

**Mr Glenn Fozard**

Mr Fozard is 36 years of age. Appointed Director 3 December 2009. Mr Fozard is an investment advisor and has qualifications of Bachelor of Business (International Trade) and Bachelor of Arts (Psychology). He is involved in the audit and risk, best practice and profitability committees.

## Directors' report continued

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### **Mr Michael Curtain**

Mr Curtain is 47 years of age. Appointed Director 4 December 2008. He is a solicitor with qualifications in Bachelor of Laws/Bachelor of Arts. Mr Curtain did not seek re-election at the annual general meeting.

### **Mr Michael Steward Fozard OAM PHF**

Mr Fozard is 61 years of age. Appointed Director 21 October 2002. Mr Fozard works as a manager and did not seek re-election at the annual general meeting.

### **Mr Bill Harrington**

Mr Harrington is 67 years of age. Appointed Director 21 October 2002. He is a retired bank manager and did not seek re-election at the annual general meeting.

### **Mr Peter Snape**

Mr Snape is 64 years of age. Appointed Director 2 November 2006. Mr Snape is a farmer with a Certificate in Frontline Management. He did not seek re-election at the annual general meeting.

### **Ms Jane Sneddon**

Ms Sneddon is 37 years of age. Appointed Director 2 April 2009. She is a primary school teacher with a Diploma of Travel and Bachelor of General Studies/Bachelor of Teaching. Ms Sneddon did not seek re-election at the annual general meeting.

### **Ms Prudence Hall**

Ms Hall is 38 years of age. Appointed Director 3 December 2009. Ms Hall was involved in the audit and risk and profitability committees. She is a Chartered accountant with Bachelor of Business (Accounting) degree. Resigned as Director on 5 August 2010.

### **Ms Joanne Porter**

Ms Porter is 39 years of age. Appointed Director 3 December 2009. She is a university lecturer with Registered nurse, Bachelor of Nursing and Grad Dip Critical Care qualifications. Resigned as Director on 3 June 2010.

Directors have been in office since the start of the financial year to the date of the report, unless otherwise stated.

2. The principal activity of the Company during the financial year was the management of a **Community Bank**<sup>®</sup> branch.
3. The net profit of the Company for the financial year was \$52,397 (2008/2009 \$107,230).
4. During the financial year the Company continued its trading activities. The results of those operations were in line with projections.
5. There was no significant change in the state of affairs of the Company during the financial year.
6. No matters or circumstances have arisen since the end of the financial year which significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

## Directors' report continued

7. The Directors are not aware of any likely developments in the operation of the Company or of any change in the expected results of those operations in future financial years.
8. No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an Officer or Auditor of the Company.
9. No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company of all or any part of those proceedings.
10. The Company was not a party to any such proceedings during the year.
11. The Company's operation are not regulated by any significant environmental regulation under a law of the Commonwealth, or of a State or Territory.
12. No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company with a Director, a firm of which a Director is a member, or an entity in which a Director has a substantial financial interest other than the benefits disclosed in Note 7. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the accounts, or the fixed salary of a full time employee of the Company.
13. During the financial year, 11 meetings of Directors were held. Attendances by each Director were as follows:

	<b>Director since</b>	<b>Director's meetings</b>	
		<b>Number eligible to attend</b>	<b>Number attended</b>
Michael Bourke	2007	11	11
Peter Cooke	2007	11	7
Peter Marx	2002	11	11
Michelle Robertson*	2009	7	7
Christopher Badger^	2009	6	4
Sally Brown^	2009	6	5
Glenn Fozard^	2009	6	4
Prudence Hall^~	2009	6	4
Joanne Porter^”	2009	5	3
Gary Smith`	2010	0	0
Robert Carlesso#	2006	5	4
Michael Fozard#	2002	5	1

## Directors' report continued

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	<b>Director since</b>	<b>Director's meetings Number eligible to attend</b>	<b>Number attended</b>
William Harrington#	2002	5	5
Peter Snape#	2006	5	2
Michael Curtain#	2008	5	4
Jane Sneddon#	2009	5	4

\*Appointed 5 November 2009

^Appointed 3 December 2009

“Resigned 3 June 2010

`Appointed 3 June 2010

#Did not seek re-election at 2009 AGM

~Resigned 5 August 2010

All Directors are widely experienced in the general business environment in which the Company operates.

### **Auditor independence declaration**

The Directors received the following declaration from the Auditor of the Company:

Taylor Partners.

Signed in accordance with a resolution of the Board of Directors.



**Mick Bourke**  
**Chairman**

Date: 2 September 2010.

# Financial statements

## Statement of comprehensive income For the year ended 30 June 2010

	Note	2010 \$	2009 \$
<b>Revenue</b>			
Income from operations		761,071	652,609
Interest received		21,202	19,908
Sundry income		-	190
		<b>782,272</b>	<b>672,707</b>
<b>Expenses</b>			
Employee benefit expenses		280,252	251,765
Depreciation		9,927	9,562
Amortisation of franchise fee		13,773	10,263
General administration		137,255	129,662
Leasing costs		9,198	7,985
Audit services		1,285	1,305
Advertising and promotion		4,794	3,393
Marketing and sponsorships		44,106	39,436
Occupancy costs		29,340	24,743
		<b>529,930</b>	<b>478,114</b>
<b>Profit (loss) from ordinary activities before income tax &amp; market development</b>			
		<b>252,343</b>	<b>194,593</b>
Market development		168,818	37,000
Income tax relating to ordinary activities	3	31,128	50,363
<b>Net profit (loss) after income tax</b>		<b>52,397</b>	<b>107,230</b>
<b>Earnings per share (cents per share)</b>			
- basic for the period (cents)		9.83	20.12
- diluted for the period (cents)		9.83	20.12

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of financial position As at 30 June 2010

	Note	2010 \$	2009 \$
<b>Current assets</b>			
Cash assets	5	441,005	469,090
Receivables		74,855	64,894
Other		9,459	6,143
<b>Total current assets</b>		<b>525,320</b>	<b>540,127</b>
<b>Non-current assets</b>			
Intangibles	13	46,826	60,599
Plant and equipment	2	74,710	74,972
<b>Total non-current assets</b>		<b>121,536</b>	<b>135,571</b>
<b>Total assets</b>		<b>646,856</b>	<b>675,698</b>
<b>Current liabilities</b>			
Payables		27,301	39,537
Provisions		17,646	66,443
<b>Total current liabilities</b>		<b>44,946</b>	<b>105,980</b>
<b>Non-current liabilities</b>			
Provisions	4	19,903	13,466
<b>Total non-current liabilities</b>		<b>19,903</b>	<b>13,466</b>
<b>Total liabilities</b>		<b>64,850</b>	<b>119,446</b>
<b>Net assets</b>		<b>582,006</b>	<b>556,252</b>
<b>Members funds</b>			
Contributed equity		532,859	532,859
Accumulated profits / (losses)		49,147	23,393
<b>Total members' funds</b>		<b>582,006</b>	<b>556,252</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of cash flows For the year ended 30 June 2010

	Note	2010 \$	2009 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		827,217	707,549
Payments to suppliers and employees		(706,146)	(506,484)
Interest received		17,943	21,158
Amounts paid to ato		(46,609)	(39,359)
Income taxes paid		(84,182)	(14,575)
<b>Net cash provided by operating activities</b>	<b>6</b>	<b>8,223</b>	<b>168,289</b>
<b>Cash flows from investing activities</b>			
Payment of franchise fee		-	(68,862)
Payment for property, plant and equipment		(9,665)	(2,824)
<b>Net cash used in investing activities</b>		<b>(9,665)</b>	<b>(71,686)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(26,643)	-
<b>Net cash used in financing activities</b>		<b>(26,643)</b>	<b>-</b>
Net increase/(decrease) in cash held		(28,085)	96,603
Cash and cash equivalents at the beginning of the financial year		469,090	372,487
<b>Cash and cash equivalents at the end of the financial year</b>	<b>5</b>	<b>441,005</b>	<b>469,090</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

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### Statement of changes in equity For the year ended June 2010

	Contributed equity \$	Retained earnings \$	Total equity \$
Balance at 1 July 2008	532,859	(83,837)	449,022
Net profit/(loss) for the period	-	107,230	107,230
Dividends provided for or paid	-	-	-
<b>Balance at 30 June 2009</b>	<b>532,859</b>	<b>23,393</b>	<b>556,252</b>
Balance at 1 July 2009	532,859	23,393	556,252
Net profit/(loss) for the period	-	52,397	52,397
Dividends provided for or paid	-	(26,643)	(26,643)
<b>Balance at 30 June 2010</b>	<b>532,859</b>	<b>49,147</b>	<b>582,006</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2010

## Note 1. Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other Authoritative Pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the economic entity of Trafalgar & District Financial Services Limited as an individual entity. The Company is a Company limited by shares, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values, or except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied.

### **(a) Statement of compliance**

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

### **(b) Plant and equipment**

Each class of property, plant and equipment are carried at cost less where applicable any accumulated depreciation.

The carrying amount of fixed assets is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of those assets. The recoverable amount is assessed on the basis of expected net cash flows which will be received from the assets, employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining the recoverable amounts.

The depreciable amount of all fixed assets are depreciated using the diminishing value method over their useful lives to the Company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable asset are:-

Plant and equipment 10% - 100%

### **(c) Cash**

For the purposes of the Statement of Cash Flows, cash includes:

- (i) cash at bank; and
- (ii) cash on at call deposits at bank.

# Notes to the financial statements continued

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## Note 1. Statement of significant accounting policies (continued)

### **(d) Revenue**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Revenue is recognised net of the amount of goods and services tax (GST)

### **(e) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of a cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Balance Sheet are shown inclusive of GST. Cashflows are included in the Cashflow Statement on a gross basis, and the GST component arising from investing and financing activities, which is recoverable from, or payable to the Australian Taxation Office, are classified as operating activities.

### **(f) Intangibles**

The franchise fee is valued in the accounts at cost and is being amortised over a period of five years. The balance is reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer recoverable is written off.

### **(g) Comparative figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

### **(h) Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits associated to ownership.

#### Finance leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the group are capitalised at present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease of equal value is also recognised.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and recognized directly in the net profit.

# Notes to the financial statements continued

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## Note 1. Statement of significant accounting policies (continued)

### **(i) Employee benefits**

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within the year together with benefits arising from wages, salaries and annual leave, which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the Company to an employee superannuation fund and are charged as expenses when incurred.

### **(j) Income tax**

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

# Notes to the financial statements continued

## Note 1. Statement of significant accounting policies (continued)

### (k) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

	2010 \$	2009 \$
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## Note 2. Plant and equipment

Plant and equipment at cost	153,346	143,681
Less provision for depreciation	(78,636)	(68,709)
	<b>74,710</b>	<b>74,972</b>
Reconciliations of written - down value of plant & equipment		
Balance at beginning of year	74,972	81,710
Additions	9,665	2,824
Depreciation expense	(9,927)	(9,562)
<b>Balance at end of year</b>	<b>74,710</b>	<b>74,972</b>

## Note 3. Income tax expense

The prima facie tax payable on operating profit is reconciled to the income tax expense as follows:

Prima facie tax payable on operating profit at 30%	25,057	47,278
Adjust for tax effect:		
Non - deductible permanent differences		
Set - up costs	4,132	3,079
Entertainment	-	367
Timing differences deductible when incurred		
Provision for holiday pay & accrued expenses	985	(1,794)
Provision for long service leave	1,931	1,058
Accrued interest	(978)	375
<b>Income tax expense</b>	<b>31,128</b>	<b>50,363</b>

## Notes to the financial statements continued

	2010 \$	2009 \$
<b>Note 4. Provisions</b>		
<b>Current</b>		
Income tax payable	708	53,763
Annual leave	16,938	12,680
	<b>17,646</b>	<b>66,443</b>
<b>Non - current</b>		
<b>Long service leave</b>	<b>19,903</b>	<b>13,466</b>
Average number of employees	5	5

## Note 5. Cash

Cash at the end of the year as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:

<b>Cash at bank</b>	<b>441,005</b>	<b>469,090</b>
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## Note 6. Cash flow information

Reconciliation of cash flow from operation with operating profit / loss

Operating profit / (loss)	52,397	107,230
Non - cash flows in operating results		
Depreciation	9,927	9,562
Amortisation	13,773	10,263
Changes in assets and liabilities		
(Increase) / decrease in receivables	(13,278)	(8,385)
(Increase) / decrease in prepayments	(12,236)	14,611
Increase / (decrease) in provisions	10,694	(781)
Increase / (decrease) in income tax payable	(53,054)	35,789
<b>Net cash provided by operating activities</b>	<b>8,223</b>	<b>168,289</b>

## Notes to the financial statements continued

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	2010 \$	2009 \$
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### Note 7. Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

No transactions with related entities.

### Note 8. Segment reporting

The Company operates in the service sector where it conducts a **Community Bank**<sup>®</sup> branch in the Trafalgar, Yarragon, Willow Grove, Thorpdale and surrounding areas of Gippsland in Victoria.

### Note 9. Accumulated profits / (losses)

Accumulated profit at the beginning of the financial year	23,393	(83,837)
Net profit after income tax	52,397	107,230
Less dividends paid	(26,643)	-
<b>Accumulated profit (loss) at the end of the financial year</b>	<b>49,147</b>	<b>23,393</b>

### Note 10. Dividends paid on ordinary shares

Franked dividends (5 cents per share)	26,643	-
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### Note 11. Franking credit balance

Franking account balance as at end of the financial year	92,375	19,611
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### Note 12. Company details

The registered office of the Company is 103a Princes Highway, Trafalgar VIC 3824.

The principal place of business is 103a Princes Highway VIC 3824.

## Notes to the financial statements continued

	2010 \$	2009 \$
<b>Note 13. Intangibles</b>		
Franchise fee at cost	68,862	68,862
Less amortisation	(22,036)	(8,263)
	<b>46,826</b>	<b>60,599</b>

### Note 14. Earnings per share

Earnings used in calculating basic and diluted earnings per share	52,397	107,230
Weighted average number of shares for basic and diluted earnings per share	532,859	532,859

### Note 15. Financial instruments

#### a) Interest rate risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

	Effective interest rate		Floating interest rate		Fixed interest rate				Non-interest bearing	
					Within 1 year		1 to 5 years			
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
<b>Financial assets</b>										
Cash at bank	6.02	3.14	61,970	81,523	379,035	387,567				
Receivables									74,855	64,894
<b>Total financial assets</b>			<b>61,970</b>	<b>81,523</b>	<b>379,035</b>	<b>387,567</b>			<b>74,855</b>	<b>64,894</b>
<b>Financial liabilities</b>										
Payables									27,301	39,537
<b>Total financial liabilities</b>									<b>27,301</b>	<b>39,537</b>

#### b) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the Statement of Financial Position and Notes to the Financial Statements.

The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company.

## Notes to the financial statements continued

### Note 15. Financial instruments (continued)

#### (c) Net fair value

For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in a standardised form. Financial assets where the carrying amount exceeds net fair values have been written down as the Company intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Statement of Financial Position and Notes to the Financial Statements

### Note 16. Disclosure of prior period comparative changes

Prior period comparative figures have been adjusted as disclosed below

	2009 Financial report \$	Restatement \$	Note	2009 Restated comparative \$
<b>Revenue</b>				
Income from operations	652,609	-		652,609
Interest received	19,908	-		-
Sundry income	190	-		-
	<b>672,707</b>	-		<b>672,707</b>
<b>Expenses</b>				
Employee benefit expenses	251,765	-		251,765
Depreciation	9,562	-		9,562
Amortisation of franchise fee	10,263	-		10,263
General administration	129,662	-		129,662
Leasing costs	7,985	-		7,985
Audit services	1,305	-		1,305
Advertising and promotion	3,393	-		3,393
Marketing and sponsorships	39,436	-		39,436
Grants	37,000	(37,000)	1	-
Occupancy costs	24,743	-		24,743
	<b>515,114</b>	-		<b>478,114</b>
<b>Profit (loss) from ordinary activities before income tax &amp; market development</b>	<b>157,593</b>	-		<b>194,593</b>
Market development		37,000	1	37,000
Income tax relating to ordinary activities	50,363	-		50,363
<b>Net profit (loss) after income tax</b>	<b>107,230</b>	-		<b>107,230</b>

1. Restatement of grants to market development

# Directors' declaration

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The Directors of the Company declare that:

1. The financial statements and notes, as set out in the Directors Report, Income Statement, Balance Sheet, Cash Flow Statement and Notes to the Financial Statements, are in accordance with the Corporations Act 2001:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the Company;
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



**Mick Bourke**  
**Chairman**

Date: 2 September 2010

# Independent audit report

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**TAYLOR PARTNERS PTY. LTD.**  
**CHARTERED ACCOUNTANTS**

A.C.N 006 597 235

R. MALE F.C.A.  
G. JAMES C.A.

OUR REFERENCE

**INDEPENDENT AUDITORS' REPORT**  
**TO THE MEMBERS OF**  
**TRAFALGAR & DISTRICT FINANCIAL SERVICES LTD**

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## SCOPE

We have audited the financial report of Trafalgar & District Financial Services Limited set out in the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and Notes to the Financial Statements for the year ended 30 June 2010. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on them to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the company's financial position and performance as represented by the results of the company's operations and cash flows.

The audit opinion expressed in this report has been formed on the above basis.

## Audit Opinion

In our opinion, the financial report of Trafalgar & District Financial Services Limited is in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

**TAYLOR PARTNERS**  
**CHARTERED ACCOUNTANTS**



**R. MALE FCA**  
**PARTNER**

Date: 2nd September, 2010

220 Chesterville Road, (PO Box 1429) Moorabbin, Vic. 3189  
Website: [www.taylorpartners.com.au](http://www.taylorpartners.com.au) Email: [admin@taylorpartners.com.au](mailto:admin@taylorpartners.com.au)  
Telephone: (03) 9553 3223 Facsimile: (03) 9553 2548  
Liability Limited by a Scheme approved under Professional Standards Legislation.

# Auditor's independence declaration

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**TAYLOR PARTNERS PTY. LTD.**  
**CHARTERED ACCOUNTANTS**

A.C.N 006 597 235

R. MALE F.C.A.  
G. JAMES C.A.

OUR REFERENCE

**Auditors Independence Declaration  
Under Section 307C of the Corporations Act 2001**

**To the Directors of  
Trafalgar & District Financial Services Limited**

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I declare that, to the best of my knowledge and belief, in relation to the audit of Trafalgar & District Financial Services Limited for the year ended 30 June, 2010 there have been;

- a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



R L Male FCA

Taylor Partners Pty Ltd  
220 Chesterville Road, Moorabbin, Vic

Dated this 2nd day of September, 2010

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Franchisee: Trafalgar & District Financial Services Limited  
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ABN: 86 102 573 222

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Bendigo and Adelaide Bank Limited,  
The Bendigo Centre, Bendigo VIC 3550  
ABN 11 068 049 178. AFSL 237879.  
(BMPAR10057) (09/10)